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**TESTIMONY OF
NATIONAL FEDERATION OF INDEPENDENT BUSINESS (NFIB)
OPPOSING
HB-6784, AA EXPANDING PAID SICK LEAVE
BEFORE THE
LABOR & PUBLIC EMPLOYEES COMMITTEE
MARCH 5, 2015**

A non-profit, non-partisan organization founded in 1943, NFIB is Connecticut's and the nation's leading small-business association. In Connecticut, NFIB represents thousands of members and their employees. NFIB membership is scattered across the state and ranges from sophisticated high technology enterprises to "Main Street" small businesses to single-person "Mom & Pop" shops that operate in traditional ways. NFIB's mission is "To promote and protect the right of its members to own, operate, and grow their businesses." On behalf of those small- and independent- job-providers in Connecticut, I offer the following comments:

NFIB/Connecticut strongly opposes House Bill 6784, which would unnecessarily and vastly expand Connecticut's paid leave law and apply it to nearly all small businesses with more than 9 employees. Passage of this legislation would not only harm existing small and mid-sized business in Connecticut, but also discourage entrepreneurship and relocation of new businesses to the state. Our small businesses cannot afford another well-intended but economically harmful mandate. And, state government should not be continuing to endlessly micro-manage and mandate private sector benefits.

NFIB research and our members (please see small business owner comments that follow) can tell you why mandating paid sick leave is bad policy. NFIB Research Foundation studies, which utilized a Business Size Impact Module (BSIM) based on the widely regarded Regional Economic Models Inc. (REMI) economic forecasting model, conducted in three states project that mandated paid leave would result in an average of a decrease in real output by \$17.4 billion within ten years. It would also result in an average loss of 80,000 jobs over the next 10 years. Small businesses would bear an average of 56% of the job losses cause by mandated paid leave and 53% of lost sales. In neighboring Massachusetts alone, research shows that the effects of a similar paid leave law will be extremely damaging: the state would lose 16,000 jobs over 10 years and \$8.4 billion in economic activity. In nearby New Jersey, a study found that more than 25,000 jobs could be lost by 2023, and real output could decrease by more than \$18.1 billion by 2023. A recently released Freedom Foundation "meta study" report found paid sick leave mandates fail to decrease sickness in the workplace and do nothing to reduce turnover.

Connecticut is already a high-cost state for employers with energy costs, development costs, taxes, unemployment insurance costs, health insurance premiums, and employee salary and benefit costs at or near the highest in the nation. Unemployment insurance is at



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record highs and projected to jump even higher, further increasing Connecticut's employers' costs. These costs as well as even the possibility of mandates such as the one reflected in this bill are reflected in our state's slow job growth over the past several years, particularly in the small business sector which has traditionally been the state's job incubator. Small business owners are not a bottomless pit. Now is not the time to impose an additional mandate on our state's smallest employers.

Unlike unemployment insurance or workers' compensation, which cover losing a job through no fault of the employee or incurring an accidental injury on the job, having paid leave is unrelated to the employment relationship. Paid sick time is more akin to health insurance or other voluntary benefits.

Mandated sick leave significantly impacts productivity and operations in small and mid-sized businesses and it is costly. Most small businesses do not have a Human Resource department or staff to manage the paperwork requirements needed to comply, and drawing the line at 10 employees doesn't automatically mean they can manage this type of mandate. Prescribing specific employee benefits, like 7 days of paid sick leave, restricts the flexibility of small employers to provide the wages and benefits that their employees want, and that the employer can afford. If small employers are required to pay for sick leave, there are fewer resources available for other optional benefits such as health insurance, retirement programs, or wage increases -- benefits that most would consider to have a more fundamental relationship to the workplace and that impact all workers. Particularly in small and mid-sized independent businesses, employees appreciate an employer that can tailor their benefits to their particular needs and desires. Furthermore, expanding paid leave to small employers ignores the fact that most small business owners already arrange for their employees to take time off as needed, whether for illness or for a family emergency.

In short, paid sick leave is not an essential benefit, or even useful, to many workers. If further mandated to small businesses in Connecticut, paid sick leave would leave Connecticut's small employers in a less competitive position. Time-off issues are currently worked out in thousands of small and mid-sized businesses in the state every day without state government intervention. The government mandate is an economically dangerous imposition of additional costs and administrative burdens on many Connecticut employers, the very employers who are being relied upon to help lead the state into economic recovery.

Thank you for the opportunity to comment, and NFIB urges lawmakers to reject any expansion of the paid leave law and vote NO on HB-6784.



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Connecticut Small Business Owners' Reaction To Expanded Paid Leave Mandate

In February & March of 2015, NFIB/Connecticut asked a variety of small businesses to respond to how HB-6784 would impact their businesses. A sampling of their responses is below. In order to keep their personal information from becoming public, the names of their businesses have not been provided.

"It would put an extra financial burden on us and hurt our production"

- ***Metalworking Company, New Milford - 23 employees***

"We are a manufacturer so right now the law won't affect us. But, if this law passes, it won't be long before the legislature will extend it to manufacturers and businesses of all sizes. (Note: Back in the 90's the state committee that "studied" unpaid medical and family leave. And the state then claimed it would not mandate paid leave in the future.)"

- ***Manufacturer, Hamden - 32 employees***

"We give 6 paid days per year plus a personal paid holiday day - birthday, anniversary etc. Given the cost of running a small business, any increase in government mandates will result in: more resistance to hiring additional employees; possibly reducing staff; considering moving out of state - in my case a 7 mile move; I am 75 and business is not great, retirement to Florida is an option."

- ***Boating Equipment Provider, Stamford - 14 employees***

"They [employees] can take time off whenever they want but they don't get paid... It would make it [running my business] more difficult. How can you keep people on staff while they aren't being productive? That would put us out of business."

- ***Restaurant, Norwalk - 14 employees***

"Employees whether full time or part time get 1 week vacation pay after working a full year. Two weeks after 2 years. No sick time is paid for. It would cripple us. I am a small business owner and as fair as we are this law would be devastating."

- ***Bakery, Bristol - 30 employees***



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"All salaried managers receive 2 weeks paid vacation. They also are allowed 5 sick days in the calendar year. They do not accrue. All full-time and part-time hourly wage employees do not receive any paid vacation or sick leave. They can take any time off they require and still maintain a job. Mandatory paid leave would cost my business money (and time to manage it). It has the potential to cost my business anywhere from \$0 (unlikely) - close to \$15,000 in a calendar year. I am sure that many employees would not take advantage of this leave, as most want to work and like to work. A realistic cost would be around \$7000 annually. As a small business owner, that is substantial and would result in an additional expense we don't need. We were just hit with the Special Assessment Unemployment tax at last year's end for over \$3000. Connecticut is not a small business friendly state. This just adds to the burden for all of us and is outright wrong. Small business in this state, myself included do not have the time, money or means to implement paid leave for all employees."

- *Restaurant, Pomfret - 25 employees*

"Currently offer five days per year of personal/sick time. If seven days, would add to cost, more concerned about the structure and added mandate, rather than the latitude to structure as suits my business."

- *Mechanical Contractor, Torrington - 14 employees*

"Currently offer paid national holidays, an average 2 weeks vacation. If I'm mandated to provide additional paid leave I will need to increase our labor rate to compensate for the loss of income for lost billable hours. And paying for those unproductive labor costs."

- *Plumbing & Heating Contractor, Bridgeport - 11 employees*

"We offer 3 sick/personal days. Any more than that and we cannot operate our business with such a small pool of others to "cover" and do another's job. It would cost us too much to operate effectively."

- *HVAC & Oil Company, Brooklyn - 10 employees*

"We offer 2 paid days per year. This change to the legislation will have an adverse effect on our ability to compete. We are already at a disadvantage due to other state mandated regulations and the high cost of labor and energy. This would do nothing more than increase our costs. At present I am looking for ways to relocate to a more tax and business friendly state."

- *Automobile Specialty Service & Restoration, New Haven - 14 employees*



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"Currently offer paid leave. Expansion to family members would adversely affect us."

- *Transportation Company, Windsor Locks - 20 employees*

"We offer 1 or 2 week paid vacation. Also paid personal or family medical leave. Likely minor additional expenditure, but any additional mandated expenditure is difficult and unwelcome considering that economic conditions have not really rebounded in any meaningful way."

- *Fencing Company, Orange - 15 employees*

"[Employees] get 3 sick days / personnel days plus 4 paid holidays as we are a seasonal business. Any more than that would really cut into the bottom line, but more than that it hurts our production and services to our clients."

- *Landscaping Company, Shelton - 18 employees*